

# **EXHIBIT 31**

VOYNOW, BAYARD WHYTE AND COMPANY

These general procedures should be in operation for effective internal control in your dealership.

1. Blank checks should not be signed.
2. All financial institutions should be notified that no cashiers checks should be issued on behalf of the dealership.
3. All negative balances in the financial statement should be investigated immediately.
4. Institute mandatory employee vacation.
5. Dual signatures should be required on checks.
6. Outside parts purchases should be monitored.
7. All mail should be opened by the dealer or designated individual.
8. Checks should be deposited in the bank timely. Also we recommend the use of the new in house bank deposit system where checks are deposited immediately in the bank daily.
9. All R&R edit reports must be reviewed daily. Cash edit report, open repairs, Open part invoices etc.
10. Cash sales clearing account should be reconciled daily.
11. Unauthorized and authorized access into the computer system should be monitored on an ongoing basis.
12. Computer passwords should be changed sporadically through the year to maintain interim control over unauthorized use of the system.
13. All journal entries made to the accounting records should be authorized by the controller and signed off as part of the month end review process.
14. Vendors should be notified that payment will not be made without a purchase order number on their invoice.
15. Make sure all payroll procedures are in place and being followed. (Time cards are being used, Over time is watched etc.)

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## DEALERSHIP INTERNAL CONTROL CHECKLIST

### PETTY CASH (Who controls petty cash?)

Completed   Not Completed

\_\_\_\_\_   \_\_\_\_\_ Petty cash fund counted and verified to the general ledger at month end.

\_\_\_\_\_   \_\_\_\_\_ Are petty cash vouchers prepared and signed in ink?

\_\_\_\_\_   \_\_\_\_\_ Are petty cash vouchers approved by managers?

\_\_\_\_\_   \_\_\_\_\_ Are employee checks or employee loans being made out of petty cash?

\_\_\_\_\_   \_\_\_\_\_ Are petty cash vouchers supported by backup receipts or invoices?

\_\_\_\_\_   \_\_\_\_\_ Are petty cash reimbursements approved by dealer or designated individual?

### CASH

Completed   Not Completed

\_\_\_\_\_   \_\_\_\_\_ Are deposits verified daily per the bank pinnacle (online transaction history) report?

\_\_\_\_\_   \_\_\_\_\_ Are there any returned checks? If so who and how much. Who is collecting the money?

\_\_\_\_\_   \_\_\_\_\_ Are all wire payments received and paid verified daily?

\_\_\_\_\_   \_\_\_\_\_ Are credit card refunds verified by a manager and signed off? ( Is the deal dead?)

## CONTRACTS IN TRANSIT

### Completed Not Completed

\_\_\_\_\_ Is the account reviewed weekly? Are there any contracts older than five days? If so who and how much and why.

\_\_\_\_\_ Are contracts being "cashed up" timely by finance institutions? Are payoffs on floor plan liabilities being made within the floor plan institutions allotted time frame?

## NOTES RECEIVABLE

### Completed Not Completed

\_\_\_\_\_ Does the dealership have these types of receivables?

\_\_\_\_\_ Is the proper documentation on file (executed promissory note, etc.).

\_\_\_\_\_ Who authorized these notes for the dealership?

\_\_\_\_\_ All intercompany accounts must be reconciled on a monthly basis.

## VEHICLE RECEIVABLES

### Completed Not Completed

\_\_\_\_\_ Are the COD monies followed up immediately?

\_\_\_\_\_ What is the break down per location of monies due.

\_\_\_\_\_ Reviewed the collection efforts being made on overaged items.

\_\_\_\_\_ Who is authorizing credit? Is all credit extended authorized?

\_\_\_\_\_ Review of this account has not highlighted situations where the dealership did not have money or equivalents in house before delivery. Any monies due were authorized by the proper credit authority in the dealership. (Hold checks etc.)

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## PARTS AND SERVICE RECEIVABLES

Completed   Not Completed

\_\_\_\_\_   \_\_\_\_\_   Review weekly the schedule and aging of accounts.

\_\_\_\_\_   \_\_\_\_\_   Is any vendor still purchasing once their receivables are over 30 days old.

\_\_\_\_\_   \_\_\_\_\_   Review list of vendors on COD list.

\_\_\_\_\_   \_\_\_\_\_   If the system has been overridden for authorizing credit, who is responsible? Who has authority to override a vendor who is flagged for non payment (COD list)?

## INVENTORIES

Completed   Not Completed

\_\_\_\_\_   \_\_\_\_\_   Has a physical inventory been taken of new and used vehicles? (Independent of the sales department)

\_\_\_\_\_   \_\_\_\_\_   Physical inventories have been taken by someone other than the new and used car sales managers?

\_\_\_\_\_   \_\_\_\_\_   New and used vehicle physical inventories have been timely reconciled to the general ledger.

\_\_\_\_\_   \_\_\_\_\_   All reconciling differences have been brought to the controller and appropriate manager's attention.

\_\_\_\_\_   \_\_\_\_\_   Physical inventories of miscellaneous inventories (gas, oil, grease, tires, work in process, sublet, etc.) are taken monthly.

\_\_\_\_\_   \_\_\_\_\_   The books have been adjusted properly to all physical inventories taken for the month and discussed with management.

\_\_\_\_\_   \_\_\_\_\_   Are the parts bins being counted in rotation and the variance difference checked by the parts manager and accounting office.

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## FACTORY RECEIVABLES

Completed Not Completed

Reviewed schedule of open receivables due from the factory. Is payment being made within factory guidelines?

Reviewed schedule for timely collection and unusual overaged items. Investigated all open overaged receivables.

Who is following up on uncollected factory monies?

- 1) Rebate/Incentive
- 2) Warranties
- 3) Extended Warranties
- 4) Holdback
- 5) PDI Receivable
- 6) Advertising Co-op
- 7) Special program monies

## FACTORY RESERVE RECEIVABLES

Completed Not Completed

Reviewed schedules of receivables and questioned all overaged receivables (usually greater than 30 days old).

The dealership calculation of the reserve is accurate and no discrepancies were noted between the amount booked and the amount paid. Any small discrepancies have been adjusted for.

Reviewed the reconciliation between the month end books and the institutions month end statement. All reconciling and overaged receivables were investigated.

Reviewed the reserve for chargebacks for the month for adequacy, (unless the books have been adjusted to the actual chargeback for the month).

Reviewed schedule of open receivables due from the factory. Is payment being made within factory guidelines?

Reviewed the chargebacks for the month and the procedures for verifying that these chargebacks are for the dealership (chargebacks should be traced to the original deal and noted).

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## WARRANTY and EXTENDED CLAIMS

### Completed   Not Completed

\_\_\_\_   \_\_\_\_   Reviewed schedule listing of claims and aging.

\_\_\_\_   \_\_\_\_   Have all adjustments been made for the difference between amounts claimed and amounts allowed by the factory?

\_\_\_\_   \_\_\_\_   Reviewed old claims and the follow up procedures.

\_\_\_\_   \_\_\_\_   Reviewed the service departments submission procedures for timeliness and resubmission procedures.

\_\_\_\_   \_\_\_\_   If aged, has factory rep been contacted for collections?

## PREPAID EXPENSES

### Completed   Not Completed

\_\_\_\_   \_\_\_\_   Reviewed a list of all prepaid expenses.

\_\_\_\_   \_\_\_\_   Checked appropriateness of all expenses charged to this account.

\_\_\_\_   \_\_\_\_   Reviewed calculation of all expenses being charged off over time and the standard journal entries for accuracy.

## FIXED ASSETS

### Completed   Not Completed

\_\_\_\_   \_\_\_\_   Reviewed schedules of fixed asset acquisition and dispositions for the month with appropriate invoices.

\_\_\_\_   \_\_\_\_   Review accounts for inappropriate charges that should be expensed.

\_\_\_\_   \_\_\_\_   Review standards entry for depreciation expense for adequacy.

\_\_\_\_   \_\_\_\_   Fixed asset files are being maintained for all acquisitions and dispositions, and the appropriate sales or use tax has been paid.

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**EMPLOYEE RECEIVABLES AND OWNERS RECEIVABLES**

**Completed      Not Completed**

Reviewed all schedule listings with appropriate authorizations for charges.

Reviewed terms for repayment for adherence to their initial set (payroll deduction, etc.).

## ACCOUNTS PAYABLE

**Completed      Not Completed**

Reviewed reconciliation of all vendor accounts on the month end schedule.

Reviewed reconciling items not cleared up from prior month. Investigated that these reconciling items were properly handled.

Reviewed a sample of paid invoices for proper documentation (manager's signature, purchase orders, etc.).

Reviewed purchase order books for recording unrecorded liabilities at month end.

Are all Factory Parts Accounts reconciled up to date? Any situations. (chargebacks, etc.).

Are all bills accrued in the correct month and expensed?

## CUSTOMERS' DEPOSITS

**Completed    Not Completed**

What is the balance of customers deposits by location?

## **NOTES PAYABLE - FLOOR PLAN**

**Completed      Not Completed**

\_\_\_\_      \_\_\_\_      Reviewed reconciliation of financial institutions statement with the books.

\_\_\_\_      \_\_\_\_      Investigated all reconciling items carried over from one month to the next.

\_\_\_\_      \_\_\_\_      How much equity do we have in New Vehicles and in Used Vehicles (by location).

## ACCRUED EXPENSES

**Completed      Not Completed**

\_\_\_\_\_      \_\_\_\_\_      Are all in-house internal accrued accounts correct?

\_\_\_\_\_      \_\_\_\_\_      Are all advertising and estimated future bills being accrued? (Parts physical, NADA trip etc)

## SALES, PAYROLL AND OTHER TAXES

**Completed    Not Completed**

_____	_____	Are all bonuses checked and accrued on the books?
_____	_____	Reviewed general ledger liabilities along with scheduled accounts for reasonableness.
_____	_____	Reviewed payments made for the month to guarantee compliance with state and federal regulations.
_____	_____	Are all monthly and quarterly tax filings up to date?
_____	_____	Is the Parts department updating the wholesale Resale certificates?

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## MISCELLANEOUS

Completed   Not Completed

\_\_\_\_\_   \_\_\_\_\_ Any aged repair orders over 5 days old? If so, who and how much?

\_\_\_\_\_   \_\_\_\_\_ Any aged Parts Tickets 1 day or older? If so who and how much?

\_\_\_\_\_   \_\_\_\_\_ Any repaired vehicles released without payment? If so who and how much?

\_\_\_\_\_   \_\_\_\_\_ 8300 Compliance. Are they being filed timely?

\_\_\_\_\_   \_\_\_\_\_ Wholesale sales. (Titles are not released until payment is received?)

\_\_\_\_\_   \_\_\_\_\_ Is someone checking Finance deals to make sure the customer is not over charged on the finance rate? (Discrimination)

\_\_\_\_\_   \_\_\_\_\_ Have all deals been turned in the office? If no get a list.

\_\_\_\_\_   \_\_\_\_\_ Are we posting deals timely?

- a) New
- b) Used
- c) Wholesale
- d) Special Finance

\_\_\_\_\_   \_\_\_\_\_ Has our computer security access been checked and is it up to date? (Passwords, who has what access to what) Mandatory password changes.

\_\_\_\_\_   \_\_\_\_\_ What third party has access to our system and bank accounts?

\_\_\_\_\_   \_\_\_\_\_ Make sure procedures are being checked and rechecked.

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MONTH END REVIEW COMPLETED \_\_\_\_\_  
Controller's Signature \_\_\_\_\_

Date

MONTH END REVIEW COMPLETED \_\_\_\_\_  
General Mgr's Signature \_\_\_\_\_

Date

REVIEWED WITH \_\_\_\_\_  
Dealer/Principal Signature \_\_\_\_\_

Date

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